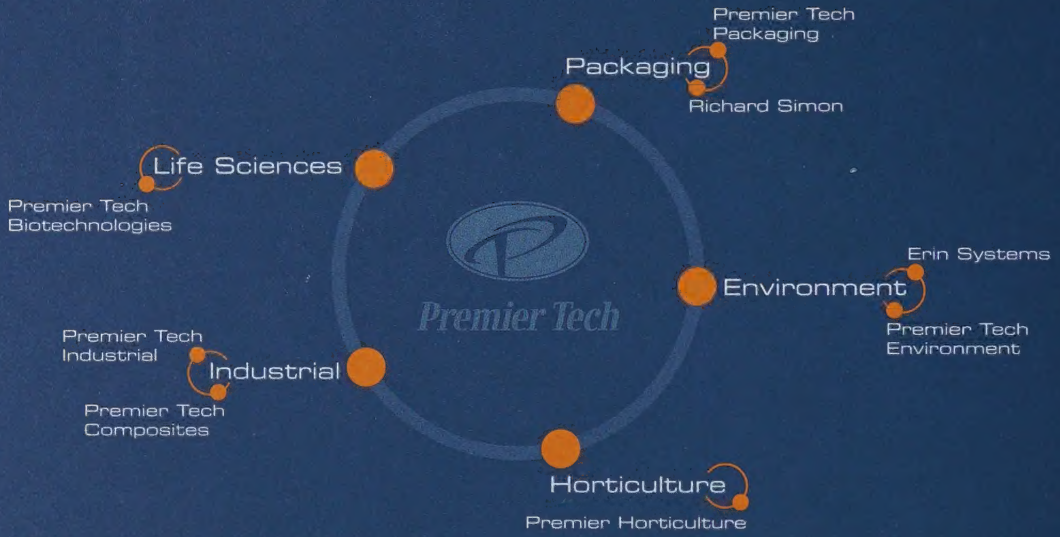


PREMIER TECH ANNUAL REPORT 2002

AR64

Premier Tech



For nearly 80 years now, Premier Tech has been building its know-how and reputation on the various technology-oriented opportunities offered by sphagnum peat moss, an abundant natural resource in Canada. Its eight business units, which operate in five areas - **Packaging**, **Environment**, **Horticulture**, **Industrial** and **Life Sciences** - have the mission to become technological and commercial leaders in their respective fields of expertise. Buoyed by a multidisciplinary team of over 1 200 people based in Canada, the United States and Europe, Premier Tech is building on the development of its personnel, research and development, the introduction of value-added products, and proactive management of its business units' manufacturing operations. Its strategic approach is supported by ongoing market development efforts in the Americas, Europe and Asia. Premier Tech shares are listed on the Toronto Stock Exchange, in Canada, under the symbol PTL.A.

Winspear Business Reference Library
University of Alberta
1-18 Business Building
Edmonton, Alberta T6G 2R6

Financial highlights

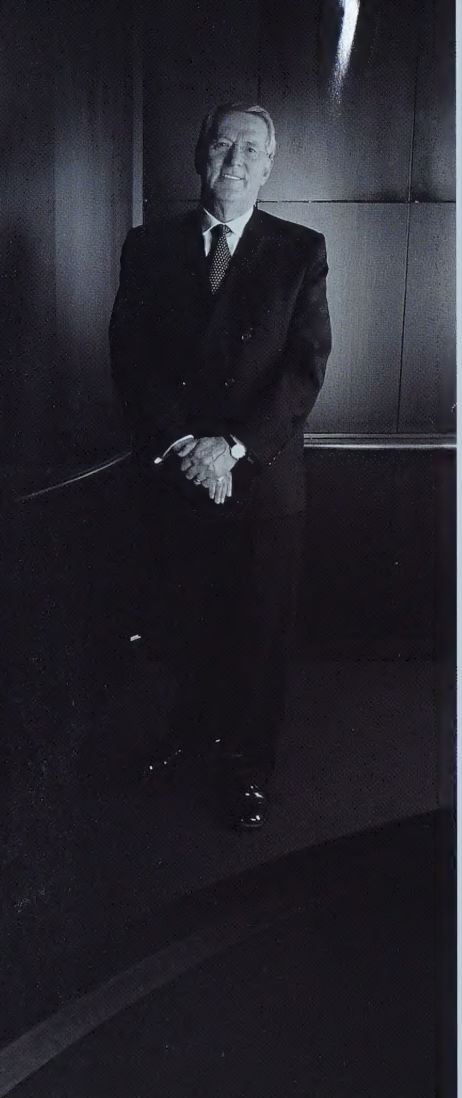
(in thousands of dollars, except for amounts per share and ratios)	**2002**	2001	2000	1999	1998	1997
Operations						
Sales	**183 223**	172 414	150 734	139 243	108 639	90 135
Net earnings	**4 618**	3 017	1 852	4 373	3 702	873
Per share (basic)	**0.29**	0.19	0.12	0.32	0.27	0.06
Per share (fully diluted)	**0.29**	0.19	0.12	0.31	0.27	0.06
Operating cash flows	**13 512**	9 744	13 089	13 855	9 650	6 408
Per share	**0.84**	0.61	0.88	1.02	0.73	0.48
Financial Position						
Total assets	**153 501**	149 882	134 331	120 240	101 674	86 566
Working capital	**31 905**	26 979	26 214	26 093	28 693	13 526
Long-term debt	**41 410**	40 247	41 010	30 184	29 667	17 110
Interest-bearing debt	**62 188**	75 346	64 582	50 267	41 405	38 593
Redeemable preferred shares	**0**	0	0	9 926	9 093	8 229
Total liability	**105 481**	106 480	94 012	83 473	69 455	58 049
Shareholders' equity	**48 020**	43 402	40 319	36 767	32 219	28 517
Per participating share	**2.99**	2.71	2.53	2.45	2.18	1.91
Average number of outstanding participating shares	**16 043 695**	15 994 150	14 937 824	13 519 090	13 296 271	13 296 271
Ratios						
Working capital	**1.57**	1.46	1.52	1.62	1.93	1.41
Long-term debt/ shareholders' equity	**0.86**	0.93	1.02	1.06	1.20	0.89
Leverage	**1.30**	1.74	1.60	1.64	1.57	1.64
Debt service	**1.49**	1.25	1.53	1.83	1.76	1.66

Annual meeting

The Annual Meeting of Shareholders will be held on Tuesday, September 24, 2002, at 10:00 a.m. at Hotel The Queen Elizabeth, 900, René-Levesque Boulevard West, Montréal, Québec.

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Message
to shareholders

Thanks to the strategies implemented over the past few years, Premier Tech was able to increase its revenues as well as substantially improve its earnings in fiscal year 2002, enabling conclusive results at year-end. Those strategies hinge on, among other things, new market penetration and geographical expansion of several business units. Ongoing development and marketing of new products have also enabled the Company to continue innovating in all areas of its operations, thereby strengthening the technological leadership of several of its business units.

Increased revenues and improved earnings

Premier Tech's sales figure rose 6.3% during fiscal year 2002 to reach $183.2 million, up from $172.4 million the previous year. Earnings before income taxes amounted to $8.4 million for the year ended June 1, 2002, an increase of 130.4% compared with $3.6 million for the fiscal year ended June 2, 2001. The Company closed the fiscal year with net earnings of $4.6 million, or $0.29 per share, compared with net earnings of $3 million, or $0.19 per share, in fiscal year 2001.

Solid performance by all business units

Premier Tech Packaging, Premier Tech Environment and Erin Systems performed particularly well in fiscal year 2002, increasing both their revenues and their segmented earnings. Premier Tech Packaging and Erin Systems were able to improve their results, despite increased competition on the European market. Our business units' solid performance is the meaningful result of the Company's sound innovation and market strategies, which are based on integrated, overall customer supply offerings.

Premier Horticulture delivered excellent segmented earnings, despite lower revenues due to a 52-week fiscal year compared with 53 weeks in 2001 as well as to the adverse weather conditions experienced throughout North America in spring 2002. These conditions were not favourable to gardening, leading to a slowdown in consumer buying and a lower-than-normal sales volume for this time of year. Premier Horticulture responded swiftly to the situation in order to reduce its costs and minimize the impact of these external factors.

Completion of Premier Horticulture's strategic investment

In fiscal year 2002, Premier Horticulture completed the construction of two new plants in Manitoba and Alberta (Canada) to enable the production of value-added sphagnum peat-based products. Opened in the fourth quarter of fiscal year 2002, these facilities will be operating at full capacity beginning in the first quarter of fiscal year 2003.



Olds Plant, Alberta

Geographical expansion of the Packaging business area

In the fourth quarter of 2002, Premier Tech acquired the assets, intellectual property and rights to various technologies of the British company Clyde Richard Simon Ltd.; the firm has since been integrated into the operations of Premier Tech Packaging. This strategic investment had two main objectives: first, to acquire a leading-edge weighing technology for flexible industrial packaging, recognized as one of the most advanced in Europe. This technology will be adapted and launched on the North American market in early fiscal year 2004. Second, it had become necessary for Premier Tech Packaging to establish a technical support centre and a team in Great Britain in order to better serve its European customers.

Recognized in its markets by this visual identity



Official launching of the MOBILISATEUR II program

In 2002, Premier Tech launched the MOBILISATEUR II program, which covers all of the research and development initiatives of four of Premier Tech's business units: Premier Tech Packaging, Premier Tech Environment, Premier Tech Biotechnologies and Erin Systems. The program objectives are described in greater detail on the following pages.

Outlook for 2003

Based on the market outlook for each of our business units, the recent trends in environmental regulation and the heightened public awareness of chemical fertilizer and pesticide use, Premier Tech is strongly positioned to tap into new development opportunities.

One of the most noticeable trends today is the growing environmental awareness of both consumers and businesses. An increasing number of retailers in Canada and the United States are responding to the consumer concern for protecting the environment by offering more environmentally friendly products. In short, communities are increasingly aware of and preoccupied with the matter of public health.

Launching of MOBILISATEUR II
Minister Martin Cauchon with Jean Bélanger of Premier Tech at the press conference

The above outlooks and trends clearly show that Premier Tech is favourably positioned around the thrusts of its corporate strategy, implemented in the 1990s, and that it can now reap the rewards.

Of course, Premier Tech will continue to seek new technologies that can help its business units grow and satisfy its broad customer base through business and intellectual property acquisitions as well as strategic alliances.

Always with an eye to the future and true to its roots, Premier Tech is banking on its corporate culture and values to successfully meet customer expectations and create a stimulating work environment for its team members. Premier Tech is determined to seize and capitalize on every business opportunity that comes its way and is optimistic about the coming fiscal year.



Bernard Bélanger
Chairman of the Board
Chief Executive Officer



Highlights
of the business units

Premier Horticulture

- 15.4% increase in segmented earnings
- Continued market penetration of our value-added products, with an increase in sales of more than 9.5%
- Opening of two new facilities for the production of peat-based value-added products in Ste. Anne, Manitoba, and Olds, Alberta
- Enhancement of our "Customer Service +" program



Erin Systems

- 29.1% growth in sales figure and 138.2% increase in segmented earnings
- Integration of the business unit in the MOBILISATEUR II program
- Forging of a strategic alliance with Austrian firm Hartl Anlagenbau GmbH for joint product design and marketing, notably a line of industrial mobile crushers
- Continued market penetration of the FINGERSCREENER technology platform, resulting in a 48.6% increase in the number of units shipped



A FINGERSCREENER 1652T followed by a POWERCRUSHER 1055J

Premier Tech Environment

- 36.3% growth in sales figure
- 68.1% increase in the number of units shipped to the US market and 25.1% increase in units shipped to the Canadian market thanks to the commercial success of the Ecoflo® Biofilter
- Initiation of Ecoflo® Biofilter registration in France
- New joint venture with Irish partners for the purpose of offering the complete Premier Tech Environment product line in Ireland





Premier Tech Packaging

- Integration of Clyde Richard Simon Ltd. of Great Britain, now operating under the name of Richard Simon Ltd.

- 13.4% growth in sales figure and 240.4% increase in segmented earnings

- Sustained penetration of the FFS-200 technology platform in many markets



UBM Gravity Weighing System

AP-400 High Level Palletizer

Premier Tech Industrial

- Sustained commercial penetration of the new international palletizer platform launched in 2001

- Introduction of a "Lean Manufacturing" initiative, which will be fully implemented in the third quarter of fiscal year 2003

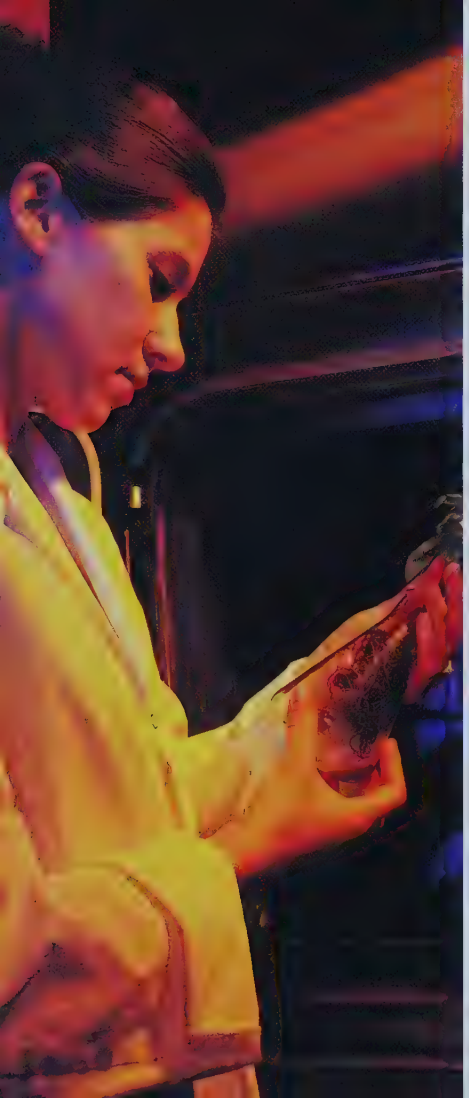




Premier Tech Biotechnologies

- Continued increase in shipments of MYKE™ products, now sold in over 500 outlets across Canada, including many superstores and garden stores

- Start-up of the *Centre de développement de procédés de production biotechnologique* in the third quarter of fiscal year 2002



Mobilisateur II

Fiscal year 2002 saw the official launching of the MOBILISATEUR II program, whose objective is to continue the research and technological innovation efforts initiated under PROGRAMME MOBILISATEUR I, which ran from 1997 to 2001. The new program will build on the experience acquired during PROGRAMME MOBILISATEUR I while targeting more of its efforts between the time of technological breakthrough and the full-scale commercialization of a new product. MOBILISATEUR II represents a forecasted total investment of $41.5 million over four years for the business units Premier Tech Packaging, Premier Tech Environment, Erin Systems and Premier Tech Biotechnologies.

PROGRAMME MOBILISATEUR I meets expectations for success

Total investment for PROGRAMME MOBILISATEUR I, which ended in June 2001 and was a success on all levels, amounted to $22.7 million. In all, 34 new products were developed and marketed, and every one of the program's innovation and marketing objectives were achieved, on time and within budget.

MOBILISATEUR I AND II - OBJECTIVES AND RESULTS

Description	Mobilisateur I		Mobilisateur II
	Objective	Results	Objective
Investment	$22.9 million	$22.7 million	$41.5 million
Total products	12	34	55
Publications	–	52	75
Congresses	–	2	2
Theses or partnerships	–	13	15
Patents	–	39	30

Government partners in MOBILISATEUR II

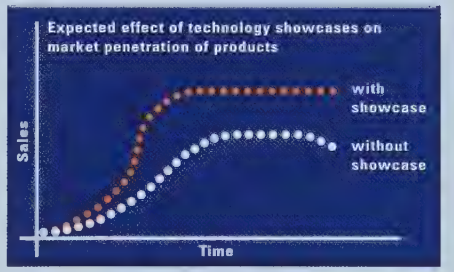
Once again, Premier Tech will have the support of two government partners in carrying out MOBILISATEUR II : Canada Economic Development (CED), which has committed $9.2 million, and Technology Partnerships Canada (TPC), which has committed $9.9 million. Together, the two partners will be contributing a total of $19.1 million to MOBILISATEUR II in the form of royalty-based contributions. This is in addition to Premier Tech's own investment of $22.4 million.

MOBILISATEUR II, which runs from 2001 to 2005, aims to develop and market 55 new products in four of the Company's business units: Premier Tech Packaging (14 products), Premier Tech Environment (17 products), Erin Systems (13 products) and Premier Tech Biotechnologies (11 products).

Addition of a technology showcase component

In addition to research, development and innovation, MOBILISATEUR II includes a new technology showcase component. Premier Tech decided to add this new element to its R&D approach in order to, among other things, set up demonstration platforms under actual operating conditions, facilitate the integration and application of the new technologies, and accelerate product registration and homologation.

The goal of this new component is to compensate for the grey area that exists between the completion of the product research and development stage and the full testing of the product on the targeted application markets. Following the necessary trials and adjustments, the product is ready for full-scale marketing with better commercial results. The technology showcase component does not involve promotional, marketing or prospecting activities; rather, its purpose is to facilitate the introduction and integration of new technologies in the plants or operations of reference customers who agree to serve as beta sites for demonstration and validation. The expected result is maximum return on R&D investments and faster commercial results on both North American and international markets.



Products launched
in 2002

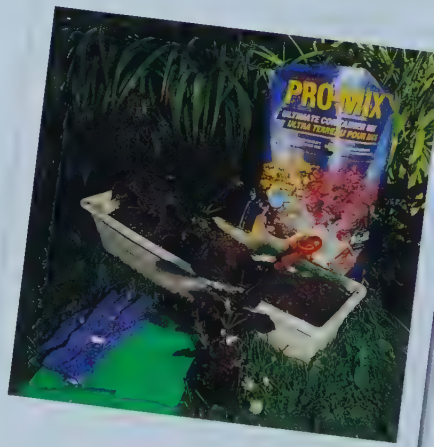
Through the MOBILISATEUR I and MOBILISATEUR II programs, Premier Tech is pushing forward one of its key strategic initiatives, namely, the development and launching of new products.

Several of those products, developed in our laboratories and demonstrated at customers' production sites, were launched in 2002. In all, 17 new products were officially marketed, generating sales of over $7.8 million during fiscal year 2002.



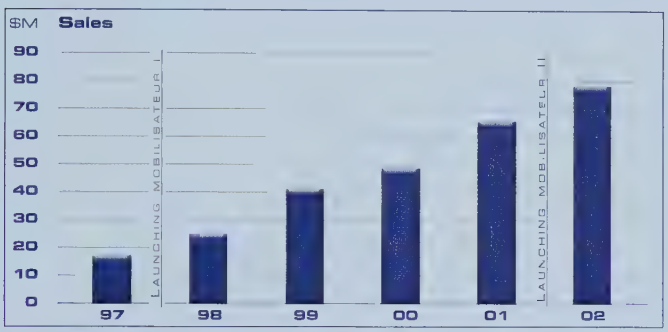


2 TFS-440 Tubular Form Fill and Seal Bagger
3 HFS-70 Horizontal bag placer for Bat Baggers
4 AP-425 International High Level Bag Palletizer



RotoFix™ rotating biological contactor

The success of both MOBILISATEUR programs is reflected in the sales results of the participating business units, as shown below.



Participating Business Units

Premier Tech Packaging, Premier Tech Environment
Premier Tech Biotechnologies, Erin Systems




FINGERSCREENER 165T


STARSCREENER 200HT

Premier Tech
and the community

Social and community involvement have special meaning for Premier Tech, a company firmly rooted in its region with a strategic vision of sustainable development. Apart from its day-to-day operations, Premier Tech participates in several areas of community life and strives to continue playing an active role at the local level.



Providing a stimulating work environment in an outlying region

Premier Tech encourages young people to pursue their education by offering them financial support. In fiscal year 2002, we awarded some $15 000 in scholarships to high school, college and university students.

With more than 20 internships provided in 2002, Premier Tech is demonstrating that it is possible for young people to live and work outside the great urban centres while enjoying an enviable quality of life. Career opportunities that are every bit as competitive as those offered in big cities give graduates a chance to help achieve the Company's business goals and adhere to its corporate vision while continuing their personal and professional development.

Supporting amateur and elite sports

For years, Premier Tech has encouraged and supported amateur sport through a donation and sponsorship program for local sports associations and teams. We also support elite athletes in various sports, at every step of their career, since we believe in accompanying them in their quest for excellence.



Encouraging our team members' social involvement

As in the past, individual members of the Premier Tech team participated in fundraising campaigns to help numerous educational, sports and charitable organizations.

This active involvement of our team members in social and cultural life is a telling example of the Company's strong roots in the various regions in which it operates.

We feel it is important to underline our team's response to the tragic events of Sept. 11, 2001. Following the terrorist attacks in the United States, the team members showed their generosity by organizing a special fundraising drive, with the Company matching the amount raised. Thanks to their efforts, the Red Cross International Relief Fund was presented with a cheque for $19 474.14.

Ducks Unlimited Canada

Protecting the environment and Premier Tech's strategic resource

Since our business grew out of sphagnum peat moss, Premier Tech feels it is its duty to promote the conservation of this natural resource and the quality of the environment.

For years, the Company has been a partner and sponsor of Ducks Unlimited Canada, a world leader in wetlands and associated habitats conservation.

In addition, as an international groundbreaker in peatland restoration, Premier Tech is stepping up and increasing its research and freely shares the knowledge acquired in order to preserve this valuable environmental asset and ensure its integrated and sustainable management.

DIRECTORS, MANAGEMENT AND SCIENTIFIC ADVISORY BOARD

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Saint-Hyacinthe, Québec
Chief Executive Officer
L'Alliance Boviteq inc.

Marc-André Bédard
Chicoutimi, Québec
Attorney
Gauthier, Bédard

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La Pocatière, Québec
Chairman of the Board
Chief Executive Officer
Premier Tech
Chairman, Executive Committee

Jean Bélanger □
Rivière-du-Loup, Québec
President
Chief Operating Officer
Premier Tech

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Business Development Unit
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Roger Samson □ ○ △ *
St-Lambert, Québec
Management Consultant
Corporate Director

□ Executive Committee member
○ Audit Committee member
△ Human Resources Committee member
* Research and Development Committee member

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CORPORATE

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Chief Executive Officer

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President
Chief Operating Officer

Jean-Pierre Bérubé
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Information Technologies

Christian Dollo
Senior Vice-President
Chief Financial Officer

Martin Noël
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Corporate Development

Germain Ouellet
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Human Resources

BUSINESS UNITS

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President (acting)
Premier Horticulture

Bruno Morin
President
Erin Systems

André Noreau
President
Premier Tech Packaging
Premier Tech Industrial

Henri Ouellet
President
Premier Tech Environment
Premier Tech Biotechnologies

SCIENTIFIC ADVISORY BOARD

PERMANENT MEMBERS

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Cap-Rouge, Québec
Professor
Faculty of Medicine
CHUL Research Centre
Université Laval
Vice-Chairman, Scientific Advisory Board

Dr Joël de la Noüe
St-Antoine-de-Tilly, Québec
President of Research Commission
Université Laval
Chairman, Scientific Advisory Board

SECTOR-BASED MEMBERS BY BUSINESS UNITS

PTB

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Québec, Québec
Retired Professor
J.A. Fortin, biologiste-conseil inc.

Dr Jacques Goulet
Sainte-Famille, Québec
Professor
Department of Food Science and Nutrition
Paul-Comtois Building
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PTE

Dr Pierre Lavallée
Québec, Québec
General Manager
BPR CSO

PTP and **ESL**

Jacques Boutin
Cap-Rouge, Québec
Vice-President Operations
Industries Amisco ltée

Dr Denis Proulx
Lennoxville, Québec
Professor
Mechanical Engineering Department
Université de Sherbrooke

FINANCIAL REVIEW 2002

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Management's comments on the Company's results and financial position

During the period ended June 1, 2002, Premier Tech's sales continued to grow despite a 52-week fiscal year compared with 53 weeks the previous year, and despite the poor weather in spring 2002. In fact, sales were up 6.3% from the previous year to $183.2 million at fiscal year-end 2002.

The Company's net earnings also rose substantially, reaching $4.6 million, or $0.29 per share, compared with $3 million, or $0.19 per share, the previous year.

Cash flows from the business units' operations climbed 38.7% from $9.7 million last year to $13.5 million this year.

Operating results

Consolidated sales reached $183.2 million, a 6.3% increase over the previous year's $172.4 million. The Company continued to pursue its development plans in all of its business units.

As at June 1, 2002, **earnings before depreciation and amortization, scientific research expenses, interest, bank charges and income taxes** were $23.5 million, or 12.8% of sales, compared with $19.4 million, or 11.3% of sales, at the previous year-end.

Amortization expenses rose from $8.2 million in 2001 to $8.7 million in fiscal year 2002. The increase is primarily attributable to the installation of new equipment in Premier Horticulture's plants under the business unit's strategic investment program.

R&D spending, net of government grants, totalled $1 million in 2002, a substantial decline from the $1.5 million spent on R&D during fiscal year 2001. The Company's total R&D investments before tax credits and government grants amounted to $5.1 million, versus $6.2 million the previous year. R&D spending was lower than in the previous year owing to the implementation of the MOBILISATEUR II program later than expected. Phase 2 of this major research, development and innovation program was officially launched in January 2002 and represents a total investment of $41.5 million over four years. Since 1997, the year the first MOBILISATEUR program was launched, the Company has invested $27.3 million in R&D and innovation projects to ensure its long-term growth.

Financial expenses for the year ended June 1, 2002, totalled $5.3 million, compared with $6.1 million in fiscal year 2001. The improvement is attributable to tighter management of non-cash working capital items and lower interest rates.

Earnings before income taxes increased 130.4% from $3.6 million in the fiscal year ended June 2, 2001, to $8.4 million for the fiscal year ended June 1, 2002.

In fiscal year 2002, **income taxes** represented 44.99% of earnings before income taxes, compared with 17.22% the previous year. The discrepancy between the effective tax rates for the two fiscal years is largely due to tax adjustments and recovery in the amount of $0.9 million, or $0.06 per share, in fiscal year 2001, which reduced the Company's effective tax rate from 42.28% to 17.22%.

Net earnings stood at $4.6 million, or $0.29 per share, compared with $3 million, or $0.19 per share, the previous year. The increase reflects all of the factors discussed above.

Segmented results

The following information refers to Note 17 of the financial statements. More specifically, the business units' segmented earnings represent earnings before scientific research expenses, financial expenses and income taxes.

Premier Horticulture posted sales of $110.4 million, down 3.2% from $114.1 million the previous year. The decline is primarily the result of a 52-week fiscal year in 2002 versus 53 weeks in 2001, coupled with the adverse weather conditions throughout North America in spring 2002. The business unit pursued its strategy for positioning its products in superstores by introducing new value-added consumer products.

Premier Horticulture's segmented earnings were $11.8 million, or 10.7% of sales, compared with $10.2 million, or 8.9% of sales, for the same period the previous year. The increase is primarily attributable to lower transportation costs, an increase in sales of value-added products as a percentage of total sales and tighter control of spending.

Premier Tech Packaging recorded sales of $33.5 million during fiscal year 2002, up 13.4% from $29.6 million the previous year. The sales growth is attributable to greater market penetration in North America and the continued success of our approach based on long-term strategic relations with national accounts.

Premier Tech Packaging's segmented earnings were $2.5 million, or 7.4% of sales, compared with $0.7 million, or 2.5% of sales, the previous year. The improvement is the result of several factors: reorganization of the European sales network, greater manufacturing efficiency, and a favourable US exchange rate coupled with an increased percentage of sales in the United States.

Erin Systems saw its sales jump 29.1% from $20.2 million last year to $26.1 million this year. The rise is due to, among other factors, the market introduction of new mobile equipment (FINGERSCREENER 125T and STARSCREENER 200A) and increased penetration of certain European markets.

Erin Systems recorded segmented earnings of $2.2 million, or 8.3% of sales, versus $0.9 million, or 4.5% of sales, the previous year. The improvement in segmented earnings is the result of the sales growth and constant cost control.

Premier Tech Environment's sales shot up from $13.1 million in 2001 to $17.9 million in 2002, a 36.3% increase. The business unit successfully continued its strategy for selling the Ecoflo® Biofilter on the Canadian and US decentralized wastewater treatment markets, as well as furthered its growth through the market introduction of new leading-edge technologies, such as the RotoFix™ wastewater treatment system for commercial, community and industrial applications.

Premier Tech Environment recorded segmented earnings of $0.5 million, compared with $0.4 million for the same period the previous year.

Premier Tech Biotechnologies continued to position its MYKE™ product line on the Canadian market during 2002 by introducing three new products. Canadian merchants' positive response to these products and heightened public awareness of the risks associated with the use of chemical products for gardening are good signs for the business unit's strategic development and growth opportunities.

Financial position

Operating cash flows for the fiscal year ended June 1, 2002, amounted to $13.5 million, a 38.7% increase over the $9.7 million recorded in fiscal year 2001.

In 2002, the Company's **working capital** stood at $31.9 million, versus $27 million the previous year. The working capital ratio was 1.57:1, compared with 1.46:1 the previous year. Non-cash working capital items generated liquid assets in the amount of $9.7 million, after using $11.7 million the previous year. The significant improvement in working capital is attributable to tighter management of certain balance sheet items such as accounts receivable, inventory, accounts payable and accruals.

Accounts receivable totalled $41.2 million as at June 1, 2002, compared with $43.5 million as at June 2, 2001.

As at June 1, 2002, **inventory** was valued at $41.7 million, or 22.7% of sales, compared with $40 million, or 23.2% of sales, as at June 2, 2001. Despite the increase of $1.7 million, inventory as a percentage of sales was down 0.5%.

At year-end, **accounts payable and accruals** amounted to $32.4 million, or 17.7% of sales, versus $23.7 million, or 13.7% of sales, at the previous year-end.

As at June 1, 2002, the net value of **fixed assets** was $52.1 million, including investments of $11.2 million during the year to complete the installation of new mixing line equipment at the Premier Horticulture plants in Olds, Alberta, and Ste. Anne, Manitoba and to acquire various assets to sustain the business unit's growth.

Intangible and other assets amounted to $4.6 million as at June 1, 2002, compared with $6.2 million as at June 2, 2001.

Total assets were up from $149.9 million at the previous year-end to $153.5 million as at June 1, 2002.

The **long-term debt** including the current portion stood at $49.2 million as at June 1, 2002. The Company used the last of the $12 million in term credits obtained from its main financial partners in February 2001, and contracted new credits in order to finance select equipment. During fiscal year 2002, the Company contracted new commitments totalling $8.9 million, whereas its repayments under existing credit agreements totalled $7.1 million.

As at June 1, 2002, the Company had **interest-bearing debts** in the amount of $62.2 million, compared with $75.3 million as at June 2, 2001. The decrease mainly reflects the improvement in non-cash working capital items and the higher operating cash flows mentioned above.

At year-end, **long-term liabilities** stood at $49.6 million, versus $47.7 million at the previous year-end.

Shareholders' equity rose $4.6 million from $43.4 million in fiscal year 2001 to $48 million in fiscal year 2002. The book value per participating share was $2.99. The long-term debt/equity ratio is currently 0.86:1, compared with 0.93:1 the previous year.

Summary statement of cash position and financing sources

Cash and capital resources

(in thousands of dollars, except for ratios)

	2002	2001
	$	$
Operating cash flows	**13 512**	9 744
Earnings before interest, taxes, depreciation and amortization	**22 473**	17 909
Working capital	**31 905**	26 979
Working capital ratio	**1.57**	1.46
Cash provided by (used for) operating activities	**23 223**	(2 003)
Long-term debt (including current portion)	**49 152**	47 340
Shareholders' equity	**48 020**	43 402
Long-term debt/shareholders' equity ratio	**0.86**	0.93
Leverage ratio	**1.30**	1.74
Debt service ratio	**1.49**	1.25

Investment projections for 2003

The Company plans capital spending of around $5 5 million in fiscal year 2003 to support the regular activities of all its business units. This amount could be either higher or lower depending on the strategic decisions made during the year.

Risk and uncertainties

International markets account for 74.7% of the Company's total sales, 62.1% of which are in the United States, which means that the majority of sales are conducted in foreign currencies. Consequently, the Company is exposed to the uncertainties normally associated with fluctuating exchange rates, and uses financial instruments to mitigate their impact.

In addition, climatic conditions can affect the production costs, selling prices and earning power of Premier Horticulture, which accounts for approximately 60% of the Company's sales. For example, peat production and sales can vary with weather conditions. Since peat must be harvested during dry weather, frequent and abnormal precipitation can delay harvesting or reduce the yield. A particularly abundant harvest for the industry as a whole could lower the selling price of peat products, while adverse weather conditions during the selling season could have a negative effect on demand and, consequently, the Company's financial return. However, Premier Horticulture's relative share of sales has gradually declined in recent years due to the Company's diversification in other business sectors, which in turn reduces the potential impact of this risk factor.

Aware that to fulfil its commitment as a socially and environmentally responsible enterprise, the Company must ensure that its efforts to grow and remain profitable reflect its environmental stewardship responsibilities. However, changes in government policies and regulations could affect the Company.

Risk and uncertainties (continued)

Premier Tech owns mining rights and leases its Canadian peatlands from provincial governments. Historically, the Company has been able to renew its leases under similar terms to the existing leases. However, there is no guarantee that this will be the case in the future if changes are made to the legislation on mining rights and peatland exploitation. Such a scenario could have a major impact on the Company.

Since a large portion of the Company's debt consists of variable-rate advances, an interest rate hike would have an adverse effect on the Company's results.

Other risks and uncertainties that could affect the Company's operations and results include the risks associated with contract execution, legal proceedings and product liability, including obligations and costs related to defective products. The Company continues to adopt policies and provisions to mitigate these risks, such as the maintenance of all-risk insurance covering all aspects of its operations and internal control processes.

Outlook

Despite the uncertainties, the Company succeeded in posting sustained growth in both sales and earnings.

Premier Tech's results outlook is excellent thanks to its enviable expertise in research, development, innovation and marketing of new products, something that will be drawn upon during implementation of the MOBILISATEUR II program, launched in fiscal year 2002.

The Company's continued success hinges on its ability to meet the needs of present and future customers. For that purpose, it has quality assets at its disposal so that it can adapt in pace with market development. More specifically in the horticultural industry, the Company owns major natural resources, all of which are strategically located.

As part of its objective to ensure the sustained and dynamic development of each of its business units, the Company will continue to pursue strategic business alliance and integration opportunities that can enhance its value.

The solid performance of the entire Premier Tech team clearly demonstrates the organization's ability to meet future challenges.

Cautionary statement

Management's comments and analysis are intended to facilitate understanding of the audited consolidated financial statements and accompanying notes and should therefore be read in conjunction with that information. The comments and analysis may include objectives, projections, estimates, expectations and forecasts of the Company or management that are forward-looking. Positive or negative verbs such as to "believe," "plan," "estimate," "expect" and "evaluate," or similar expressions, are used to identify forward-looking statements. The Company cautions readers that, by their very nature, forward-looking statements involve major risks and uncertainties such that the Company's activities or results could differ significantly from those indicated, whether explicitly or implicitly.



Christian Dollo
Senior Vice-President
Chief Financial Officer

Management's Report

The consolidated financial statements of Premier Tech and all information contained in this annual report are the responsibility of management and have been approved by the Board of Directors. Management's responsibility also includes the selection of appropriate accounting practices in accordance with Canadian generally accepted accounting principles, and the preparation of reasonable estimates. Financial information presented elsewhere in this annual report is consistent with that in the financial statements.

In keeping with its responsibilities, management maintains an internal control system designed to, among other things, provide reasonable assurance that the Company's assets are properly safeguarded and that accounting records constitute an appropriate basis for the preparation of reliable financial statements.

Each year, the Board of Directors appoints an Audit Committee. The Audit Committee reviews the Company's annual consolidated financial statements and recommends their approval to the Board of Directors. The Committee also studies reports on the Company's accounting policies and methods and internal control systems.

In management's opinion, these financial statements incorporate, within reasonable limits, all important elements and data available at the time of their preparation.



Christian Dollo
Senior Vice-President
Chief Financial Officer

July 10, 2002

Auditors' Report

To the Shareholders of Premier Tech Ltd.,

We have audited the consolidated balance sheet of **Premier Tech Ltd.** as at June 1, 2002, and the consolidated statements of earnings and retained earnings and of cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at June 1, 2002, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

The consolidated financial statements as at June 2, 2001, and for the year then ended were audited by other auditors who expressed an opinion without reservation on those financial statements in their report dated July 12, 2001.

Samson Bélair
Deloitte & Touche
Chartered Accountants

Montréal, Canada
July 10, 2002

Consolidated Statement of Earnings and Retained Earnings

for the years ended June 1, 2002, and June 2, 2001

(in thousands of dollars)	2002	2001
	$	$
SALES	**183 223**	172 414
Earnings before the following items (Notes 2 and 3)	**23 483**	19 442
Depreciation and amortization (Note 4)	**8 739**	8 175
Scientific research expenses	**1 010**	1 533
Interest on long-term debt	**3 487**	4 015
Interest and bank charges	**1 852**	2 075
	15 088	15 798
Earnings before income taxes	**8 395**	3 644
Income taxes (Note 5)		
Current	**3 932**	1 987
Future	**(155)**	(1 360)
	3 777	627
NET EARNINGS	**4 618**	3 017
Retained earnings, beginning of year	**12 869**	9 852
Retained earnings, end of year	**17 487**	12 869
Earnings per share (Note 6)		
Earnings per share	**0.29**	0.19
Fully diluted earnings per share	**0.29**	0.19

The accompanying notes are an integral part of these consolidated financial statements

Consolidated Statement of Cash Flows

for the years ended June 1, 2002, and June 2, 2001

(in thousands of dollars)	2002	2001
	$	$
OPERATING ACTIVITIES		
Net earnings	4 618	3 017
Items not affecting cash:		
Depreciation and amortization	8 739	8 175
Gain on disposal of fixed assets	(41)	(88)
Write-off of investments	351	0
Future income taxes	(155)	(1 360)
Operating cash flows	13 512	9 744
Net change in non-cash working capital items	9 711	(11 747)
Cash provided by (used for) operating activities	23 223	(2 003)
INVESTING ACTIVITIES		
Business acquisition (Note 7)	0	(116)
Acquisitions of fixed assets	(11 210)	(8 983)
Proceeds from disposal of fixed assets	155	1 213
Acquisitions of intangible and other assets	(2 253)	(2 715)
Government grants and investment tax credits	2 178	1 097
Cash used for investing activities	(11 130)	(9 504)
FINANCING ACTIVITIES		
Change in bank loans	(8 749)	6 100
Increase in long-term debt	8 922	6 101
Repayment of long-term debt	(7 110)	(6 234)
Increase in other long-term liabilities and minority interest	1 065	1 060
Issuance of capital stock (net of related fees)	0	66
Cash provided by (used for) financing activities	(5 872)	7 093
Increase (decrease) in cash and cash equivalents	6 221	(4 414)
Cash (bank overdraft), beginning of year	(4 069)	345
Cash (bank overdraft), end of year	2 152	(4 069)
Supplemental disclosure		
Interest paid	4 976	6 084
Income taxes paid	2 696	1 936

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Balance Sheet

as at June 1, 2002, and June 2, 2001

(in thousands of dollars)	2002	2001
	$	$
ASSETS		
Current assets		
Cash	2 152	0
Accounts receivable (Note 8)	41 160	43 477
Inventory	41 715	40 012
Prepaid expenses	2 487	2 046
Future income taxes (Note 5)	315	249
	87 829	85 784
Investment tax credits	5 610	5 860
Investments, at cost	0	351
Fixed assets (Note 9)	52 080	48 025
Intangible and other assets (Note 10)	4 573	6 196
Future income taxes (Note 5)	3 409	3 666
	153 501	149 882
LIABILITIES		
Current liabilities		
Bank overdraft	0	4 069
Bank loans (Note 11)	15 188	23 937
Accounts payable and accruals	32 436	23 706
Current income taxes	558	0
Current portion of long-term debt (Note 12)	7 742	7 093
	55 924	58 805
Long-term debt (Note 12)	41 410	40 247
Other long-term liabilities	2 876	1 920
Future income taxes (Note 5)	4 634	4 980
Minority interest	637	528
	105 481	106 480
SHAREHOLDERS' EQUITY		
Capital stock (Note 13)	22 516	22 516
Contributed surplus	8 017	8 017
Retained earnings	17 487	12 869
	48 020	43 402
	153 501	149 882

Commitments (Note 15)

The accompanying notes are an integral part of these consolidated financial statements.

On behalf of the Board of Directors,

Bernard Bélanger, Director

Marc-Yvan Côté, Director

Notes to Consolidated Financial Statements

as at June 1, 2002, and June 2, 2001

(the tables are in thousands of dollars, except for amounts per share)

1 - GOVERNING STATUTE

Premier Tech Ltd. ("the Company") is incorporated under the Canada Business Corporation Act.

2 - ACCOUNTING POLICIES

Basis of consolidation

The consolidated financial statements include the accounts of the Company and its subsidiaries: Premier Horticulture Ltd. (which owns Premier Horticulture inc.), Premier Tech 2000 Ltd. (which owns Premier Tech Industriel inc., Premier Tech Industriel Europe ltée, Premier Tech Packaging GmbH, Erin Systems Ltd., Erin Systems, Inc., Erin Systems Ireland Ltd.), Premier Tech Inc., Richard Simon Ltd. and Premier Tech Composites inc.

Use of estimates

Under Canadian generally accepted accounting principles for the preparation of financial statements, management is required to make estimates and assumptions that affect the reported asset and liability amounts, the presentation of assets and contingent liabilities as at the date of the financial statements, and the reported amounts of revenues and expenses during the year. Actual results may differ from these estimates.

Cash and cash equivalents

Cash and cash equivalents consist of cash, the bank overdraft and highly liquid financial instruments maturing within three months. Bank loans representing credit lines are considered to be a financing activity and are not included in the cash and cash equivalents.

Inventory valuation

Finished products and work in process are valued at the lower of cost and net realizable value, and raw materials, at the lower of cost and replacement cost. Cost is determined on a first-in, first-out basis.

Investments

Investments are accounted for at cost.

Fixed assets

Fixed assets are accounted for at cost and depreciated over their estimated useful lives according to the following methods and rates:

Land improvements, paving and access roads	Declining balance	5% and 10%
Buildings	Declining balance	5% to 20%
Machinery and equipment	Declining balance	15% to 20%
Furniture, fixtures and automotive equipment	Declining balance	20% to 30%
Computer equipment	Straight line	30 months and 5 years

Depletion of peat reserves is calculated on a straight-line basis over 15- and 25-year periods.

Intangible and other assets

Intangible and other assets are accounted for at cost.

Mining rights are amortized on a straight-line basis over 15- and 25-year periods from the start-up of operations on the lots.

Goodwill is amortized on a straight-line basis over periods not exceeding 10 years.

Capitalized development expenses are amortized on a straight-line basis over a 3-year period beginning at the moment of commercial production of the product.

Licences are amortized on a straight-line basis over 4-year periods until 2003.

Financing costs are amortized on a straight-line basis over periods not exceeding 5 years.

Other assets are amortized on a straight-line basis over periods not exceeding 5 years.

The Company annually evaluates the fair value and expected period of benefits of the carrying value of its assets. Fair value is determined according to related sales to customers and estimated future operating income from estimated sales.

Government grants

Government grants and investment tax credits related to the acquisition of fixed assets and to development costs ($2 177 559 in 2002; $1 097 108 in 2001) are applied against these accounts and amortized on the same basis. Government grants and investment tax credits related to scientific research ($3 013 758 in 2002; $3 228 649 in 2001) are applied against these expenses in the financial results.

2 - ACCOUNTING POLICIES (CONTINUED)

Foreign currency translation

The financial statements of the foreign subsidiaries and currency transactions have been translated in accordance with the temporal method, according to which monetary assets and liabilities are translated at the rate prevailing at the balance sheet date. Other assets and liabilities are translated at historical rates. Revenue and expense items are translated at the average exchange rate for the year, except for depreciation and amortization, which are translated at historical rates.

Revenue recognition

Revenue from contracts is accounted for on a completed contract basis. In accordance with this accounting method, revenue from contracts and profits are not accounted for until the contract has been completed. Outstanding contracts are valued at the lower of cost and net realizable value. Cost includes labour, raw materials and general expenses. Losses are accounted for as soon as they can be estimated.

Stock option plan

In accordance with the stock option plan offered by the Company, options are granted to certain officers and employees of the Company for the purchase of Class A subordinated voting shares. No expenses are accounted for at the time of granting of options or issuance of shares. Considerations received when these options are exercised are accounted for in the capital stock.

CHANGE IN ACCOUNTING POLICY

Earnings per share

On June 3, 2001, the Company adopted the new requirements under CICA Handbook Section 3500 (Earnings Per Share). Accordingly, the treasury stock method is now used to determine the dilutive effect of potential subordinated voting shares. Diluted earnings per share for each of the contemplated fiscal years have been calculated using the treasury stock method.

The change in the method used to determine earnings per share had no effect on the fully diluted earnings per share of fiscal year 2001.

3 - RELATED PARTY TRANSACTIONS

During the year, management fees in the amount of $6 197 316 ($5 808 480 in 2001), including remuneration of administrative personnel, travel expenses and payroll service charges, were paid to a company under common control. These operations have been accounted for at exchange value.

4 - DEPRECIATION AND AMORTIZATION

	2002	2001
	$	$
Depreciation of fixed assets	6 083	5 930
Amortization of intangible assets	558	471
Amortization of other assets	2 098	1 774

5 - INCOME TAXES

The income tax expenses shown in the statement of earnings break down as follows:

	2002		2001	
	Income taxes	Percentage	Income taxes	Percentage
	$	%	$	%
Income taxes based on statutory rates	3 050	36.33	1 395	38.27
Difference between statutory rates in Canada and rates applicable to the foreign subsidiaries	62	0.74	30	0.83
Non-deductible expenses	210	2.50	107	2.93
Part 1.3 tax on large corporations	175	2.09	201	5.52
Adjustment to future income taxes following a rate cut	0	0.00	(339)	(9.30)
Recovery of current income taxes arising from prior years' adjustments in investment tax credits and deductions for manufacturing and processing profits	98	1.16	(574)	(15.76)
Other	182	2.17	(193)	(5.27)
	3 777	44.99	627	17.22

The future net income taxes shown in the balance sheet include the following temporary differences:

	2002	2001
	$	$
Investment tax credits	(857)	(929)
Difference between accounting and tax value of fixed assets	(2 591)	(2 501)
Experimental research and development costs and losses carried over	2 466	2 385
Other	72	(20)
	(910)	(1 065)
Future tax asset realizable in the short term	315	249
Future tax asset realizable in the long term	3 409	3 666
Future tax liability realizable in the long term	(4 634)	(4 980)
	(910)	(1 065)

6 - EARNINGS PER SHARE

	2002	2001
	$	$
Earnings per share	0.29	0.19
Weighted average number of outstanding shares		
Class A subordinated voting	15 185 779	15 135 736
Class B multiple voting	857 916	858 414
	16 043 695	15 994 150
Fully diluted earnings per share	0.29	0.19
Dilutive effect of stock options	36 981	0
	16 080 676	15 994 150

7 - BUSINESS ACQUISITION

During the previous year, the Company acquired a 60% interest in Plastique Joliette inc. The acquisition was accounted for according to the purchase method. The subsidiary's operating results are presented in the consolidated financial statements as of the date of acquisition. Following the acquisition, the name of the company was changed to Premier Tech Composites inc.

	2001
	$
Acquired assets	
Non-cash working capital items	184
Fixed assets	503
Intangible and other assets	42
Goodwill	75
	804
Assumed liabilities	
Long-term debt	384
Future income taxes	5
Minority interest	299
	688
Net assets acquired	116
Consideration	
Cash	116

8 - ACCOUNTS RECEIVABLE

	2002	2001
	$	$
Trade accounts receivable	35 756	39 750
Government grants	3 146	647
Deposits on contracts		
Company under common control	200	400
Income taxes receivable	0	678
Other	2 058	2 002
	41 160	43 477

9 - FIXED ASSETS

	2002			2001		
	Cost	Accumulated depreciation	Net	Cost	Accumulated depreciation	Net
	$	$	$	$	$	$
Land	1 671	0	1 671	1 685	0	1 685
Peat reserves	15 861	9 733	6 128	15 354	9 390	5 964
Land improvements, paving and access roads	4 229	1 394	2 835	3 653	1 212	2 441
Buildings	24 653	8 907	15 746	23 033	8 141	14 892
Machinery and equipment	48 593	28 097	20 496	41 762	26 239	15 523
Furniture, fixtures and computer equipment	9 834	6 394	3 440	9 302	5 141	4 161
Automotive equipment	11 021	9 257	1 764	10 938	8 875	2 063
Assets under construction	0	0	0	1 296	0	1 296
	115 862	63 782	52 080	107 023	58 998	48 025

10 - INTANGIBLE AND OTHER ASSETS

	2002	2001
	$	$
Intangible assets		
Mining rights	1 158	1 158
Accumulated amortization	114	103
	1 044	1 055
Goodwill	816	832
Development costs	1 811	2 452
Licences	98	575
Deferred financing costs	283	526
Other assets	521	756
	4 573	6 196

During the year, the Company capitalized development costs in the amount of $825 757 ($1 326 346 in 2001).

11 - BANK LOANS

A bank loan of $11 085 640 ($7 255 000 US) ($9 971 774 [$6 495 000 US] in 2001) is secured by accounts receivable and inventories of the subsidiary Premier Horticulture inc., amounting to $21 999 999 ($14 397 905 US) ($24 238 782 [$15 787 652 US] in 2001). A bank loan of $748 766 ($490 030 US) ($1 533 206 [$998 636 US] in 2001) is secured by accounts receivable and inventories of the subsidiary Erin Systems, Inc., amounting to $1 850 397 ($1 210 933 US) ($4 331 086 [$2 821 003 US] in 2001). The securities relating to the other bank loans are the same as those assigned to secure the term loans (NOTE 12 a).

As at June 1, 2002, the Company and its subsidiaries had authorized bank loans totalling $37 752 000 ($9 000 000 US and $24 000 000 CAN), bearing interest at either the Canadian prime rate plus 1.25%, the US prime rate plus 0.25% to 1.25%, the LIBOR rate plus 2% or the bankers' acceptance rate plus 2%.

At year-end, the bank loans were used as follows:

	2002	2001
	$	$
LIBOR ADVANCES ($7 000 000 US IN 2002; $1 000 000 US IN 2001)	**10 696**	1 535
US PRIME RATE ADVANCES ($745 030 US IN 2002; $7 081 636 US IN 2001)	**1 138**	10 873
CANADIAN PRIME RATE ADVANCES	**3 354**	10 529
BANKERS' ACCEPTANCES	**0**	1 000
	15 188	23 937

12 - LONG-TERM DEBT

	Current portion	2002	2001
	$	$	$
Term loan, initial amount of $30 000 000, at either fixed rate advances varying from 8.05% to 8.9% or variable rate advances varying from prime rate plus 1.75% to 3% or at bankers' acceptances, repayable in monthly instalments of $250 000, plus interest, maturing in 2004 (Note 12 a)	3 000	18 000	21 000
Term loan, initial amount of $15 000 000, at either fixed rate advances varying from 9.625% to 10.15% or variable rate advances varying from prime rate plus 1.75% to 3% or at bankers' acceptances, repayable in monthly instalments of $159 742, plus interest, maturing in 2004 (Note 12 a)	1 917	11 166	13 119
Term loan, initial amount of $11 867 500, at variable rate advances varying from prime rate plus 2.25% to 3.25% or at bankers' acceptances, repayable in monthly instalments of $123 620, plus interest, maturing in 2006 (Note 12 a)	1 484	10 752	3 500
Loan, secured by a mortgage on fixed assets with a net book value of $1 872 187, and a commercial pledge on certain inventories, repayable in monthly instalments of $47 620, plus interest, from November 2002 to October 2005, when the balance of $2 285 680 becomes payable, bearing maximum interest of 6.55%, maturing in 2005 (Note 12 b)	333	4 000	4 000
Loan, total amount of $4 000 000, secured by a mortgage on land and a building with a net book value of $2 944 288 and a mortgage on the universality of present and future property, movable and immovable, of Premier Tech Industriel inc. and an "Investissement Québec" certificate of guarantee, repayable in monthly instalments of $33 333, plus interest, bearing interest at the base rate plus 0.75%, maturing in 2012	400	3 833	4 000
Notes payable, secured by certain fixed assets, rate varying from 0.9% to 14.26%, repayable in total monthly instalments of $93 015, capital and interest, maturing on various dates from 2002 to 2007	608	1 401	1 721
	7 742	49 152	47 340
Current portion		7 742	7 093
		41 410	40 247

(Note 12 a) Term loans and bank loans are secured by a first mortgage on the universality of present and future property, movable and immovable, of the Company and its subsidiaries Premier Horticulture Ltd and Premier Tech 2000 Ltd. In accordance with the conditions of the loan agreement, the Company is also subject to certain covenants with regard to the maintenance of financial ratios. Those convenants were respected as at June 1, 2002.

(Note 12 b) The effective interest rate of this loan will be determined as according to the number of jobs created at the fifth anniversary of the loan's disbursement, but will not at any time exceed 6.55% per year. Furthermore, at the fifth anniversary of the loan's disbursement, the projected balance of $3 428 560 shall correspond, at most, to the percentage represented by the number of jobs created over 185, the whole applied to the original amount of the loan. Any variance between the previous calculation and the balance of $3 428 560 must be reimbursed on an anticipated basis to the creditor in the 90 days following the anniversary date.

12 - LONG-TERM DEBT (CONTINUED)

Repayments on the long-term debt over the next five fiscal years are as follows:

2003	2004	2005	2006	2007	TOTAL
$	$	$	$	$	$
7 742	7 772	21 944	4 512	5 309	**47 279**

13 - CAPITAL STOCK

Authorized

Unlimited number of participating Class A subordinated voting shares, without par value.

Unlimited number of participating Class B multiple voting shares, with 10 votes per share, without par value.

Unlimited number of non-participating Class A and B non-voting preferred shares, issuable in series, without par value.

ISSUED AND OUTSTANDING	2002	2001
	$	$
15 185 995 CLASS A SUBORDINATED VOTING SHARES (15 185 595 IN 2001)	**21 192**	21 191
857 700 CLASS B MULTIPLE VOTING SHARES (858 100 IN 2001)	**1 324**	1 325
	22 516	22 516

During fiscal year 2002, the Company converted 400 Class B multiple voting shares to 400 Class A subordinated voting shares.

During the previous fiscal year, the Company issued 132 000 Class A subordinated voting shares in consideration of $66 000, and converted 1 650 Class B multiple voting shares to 1 650 Class A subordinated voting shares.

14 - STOCK OPTION PLAN

In accordance with the Company's stock option plan, options are granted to certain officers and employees of the Company for the purchase of Class A subordinated voting shares. The subscription price is equal to the quoted price of the Class A subordinated voting share less, at the discretion of the directors, the maximum allowance permitted by regulation. The options may be granted for a period not exceeding 10 years.

Options issued and outstanding as at June 1, 2002, are as follows:

Date granted	Period	Subscription price	Number	
			Total	Exercisable
		$		
April 22, 1998	7 years (1 and 2)	1.82	352 275	352 275
April 18, 2001	7 years (1)	2.00	740 000	370 000
			1 092 275	722 275

During the year, the number of options varied as follows:

	2002		2001	
	Number of options	Weighted-average exercise price	Number of options	Weighted-average exercise price
		$		$
Balance, at beginning of year	**1 092 275**	**1.94**	484 275	1.46
Granted	**0**	**0.00**	740 000	2.00
Exercised	**0**	**0.00**	(132 000)	0.50
Cancelled	**0**	**0.00**	0	0.00
Balance, at end of year	**1 092 275**	**1.94**	1 092 275	1.94

(1) The right to exercise these options is acquired on the basis of 25% annually during the first four years.

(2) Granted at $2.00 and adjusted to $1.82 on December 22, 1999, through a change to the stock option plan.

15 - COMMITMENTS

The Company is committed to paying a total of $7 031 722 under operating leases expiring on various dates up to 2007. Minimum future payments amount to:

2003	2004	2005	2006	2007	Total
$	$	$	$	$	$
3 036	2 219	1 186	457	134	7 032

In accordance with its grants and royalty agreements, the Company is committed to paying licence fees, under certain conditions and to some partners, beginning with its fiscal year ending in 2001 through the year ending in 2014. These licence fees are established on the basis of the sales arising from the R&D work carried out with these grants and licence fee contributions. As at June 1, 2002, the Company had received $9 807 301 under its agreements.

16 - FINANCIAL INSTRUMENTS AND CREDIT RISK

Fair value

Financial instruments are accounted for at their historical cost, which, unless otherwise indicated, is approximately equal to their fair value. The fair value is calculated based on discounted cash flows using quoted market rates.

Financial instruments having a different fair value from their book value are as follows:

	2002		2001	
	Book value	Fair value	Book value	Fair value
	$	$	$	$
Fixed rate long-term debt	19 086	19 724	24 343	24 516

The Company manages its exposure to foreign exchange rate fluctuations using forward exchange contracts. To that end, the Company has entered into foreign exchange contracts to hedge against exposure to fluctuations in raw material costs, operating expenses and income from foreign currency sales. These contracts expire from June 2002 to June 2003 and are accounted for at the exchange rate of the hedging contract.

The amounts related to outstanding foreign exchange contracts at year-end are as follows:

Currency (sold $US/ purchased $CAN)	Nominal value	Maturing	Sales of foreign currency converted at contract rates	Sales of foreign currency converted at year-end rate	Difference (a)
	$US		$	$	$
2002	26 950	2002-2003	41 867	41 368	499
2001	48 050	2001-2002	71 711	73 960	(2 249)

(a) These amounts represent the global monetary value on which each contract is based. They do not represent a financial advantage or risk, or debts related to the Company's assets and liabilities.

Credit risk

The Company, in the normal course of business, monitors the financial condition of its customers and reviews the credit history of each new customer. The Company establishes an allowance for bad debts in order to cover the specific credit risk of its customers, historical trends and other information on the state of the economy.

The Company believes that the product type and geographical diversity of its customer base serves to reduce the impact of sudden fluctuations in local markets and reduce its credit risk.

The Company does not believe that it is exposed to an unusual level of customer credit risk.

17 - SEGMENTED INFORMATION

The segmented information is based on the way that management organizes the different sectors within the business for the purpose of making operating decisions and assessing performance.

The Company operates in four significant segments as described below. Each segment offers different products and services and requires different marketing strategies. Below is a brief description of the operations of each of the Company's significant segments:

The business unit Premier Horticulture (PHL) specializes in the harvesting, screening, packaging and distribution of sphagnum peat moss and various growing media, as well as bagged soils, composts and potting mixes.

The business unit Premier Tech Packaging (PTP) specializes in the development, manufacturing and marketing of packaging, handling and palletization systems.

The business unit Erin Systems (ESL) specializes in the development, manufacturing and marketing of mobile and fixed screening systems and equipment for organic and inorganic material.

The business unit Premier Tech Environment (PTE) specializes in decentralized wastewater treatment.

The accounting policies of the reportable segments are the same as those described in Note 2 "Accounting Policies". The Company evaluates performance based on net income. Segment assets are those used directly in segment operations. Eliminations are primarily the result of inter-segment sales from PTP and ESL and the amortization of unrealized inter-segment profits on fixed assets acquired by PHL. The fiscal impact of these adjustments is reflected in the Company's consolidated fiscal charge. Inter-segment transactions are accounted for at exchange value.

During the year, the Company posted export sales amounting to $136 897 860 ($135 304 460 in 2001). The Company's sales are as follows:

	2002		2001	
	$	%	$	%
Canada	46 325	25.3	37 109	21.5
United States	113 772	62.1	113 105	65.6
Other countries	23 126	12.6	22 200	12.9
	183 223	100.0	172 414	100.0

17 - SEGMENTED INFORMATION (CONTINUED)

Information pertaining to segmented earnings

	CONSOLIDATED AMOUNTS		PHL		PTP		ESL		PTE		OTHER (a)	
	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001
	$	$	$	$	$	$	$	$	$	$	$	$
REVENUE FROM												
SALES TO CUSTOMERS	**183 223**	172 414	**110 009**	113 464	**28 645**	25 847	**25 334**	19 381	**17 824**	13 105	**1 411**	617
INTER-SEGMENT SALES	**0**	0	**399**	597	**4 873**	3 712	**810**	864	**32**	0	**(6 114)**	(5 173)
	183 223	172 414	**110 408**	114 061	**33 518**	29 559	**26 144**	20 245	**17 856**	13 105	**(4 703)**	(4 556)
EARNINGS (LOSS) BEFORE THE FOLLOWING ITEMS	**23 483**	19 442	**16 423**	14 914	**4 259**	2 297	**3 490**	2 180	**891**	684	**(1 580)**	(633)
DEPRECIATION OF FIXED ASSETS	**6 083**	5 930	**4 628**	4 692	**598**	613	**259**	304	**353**	242	**245**	79
AMORTIZATION OF INTANGIBLE AND OTHER ASSETS	**2 656**	2 245	**15**	15	**1 190**	958	**1 049**	960	**50**	28	**352**	284
	8 739	8 175	**4 643**	4 707	**1 788**	1 571	**1 308**	1 264	**403**	270	**597**	363
SEGMENTED EARNINGS (LOSS)	**14 744**	11 267	**11 780**	10 207	**2 471**	726	**2 182**	916	**488**	414	**(2 177)**	(996)
SCIENTIFIC RESEARCH EXPENSES	**1 010**	1 533										
FINANCIAL EXPENSES	**5 339**	6 090										
	6 349	7 623										
EARNINGS BEFORE INCOME TAXES	**8 395**	3 644										
INCOME TAXES	**3 777**	627										
NET EARNINGS	**4 618**	3 017										

Segmented balance sheet information

	CONSOLIDATED AMOUNTS		PHL		PTP		ESL		PTE		OTHER (a)	
	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001
	$	$	$	$	$	$	$	$	$	$	$	$
TOTAL ASSETS	**153 501**	149 882	**97 087**	94 766	**22 234**	20 642	**16 892**	17 410	**10 259**	10 198	**7 029**	6 866
ACQUISITIONS OF FIXED ASSETS	**11 210**	8 983	**9 842**	6 918	**306**	805	**208**	243	**643**	943	**211**	74

(a) Includes the other business units, whose sales represent less than 10% of the total sales figure, and other consolidation items.

18 - FISCAL YEAR

The date on which the Company's fiscal year ends varies from one year to the next and is established according to a six-year cycle consisting of five years of 52 weeks and one year of 53 weeks. The year ended June 1, 2002, covers a period of 52 weeks, whereas the year ended June 2, 2001, consisted of 53 weeks.

19- COMPARATIVE FIGURES

Certain reclassifications have been made to the prior year's financial statements in order to conform to the presentation adopted in 2002.

Corporate information

CORPORATE OFFICE

1, avenue Premier
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CANADA

AUDITORS

Samson Bélair/Deloitte & Touche
Montréal, Québec

TRANSFER AGENT AND REGISTAR

National Bank Trust Inc.
Montréal, Québec

STOCK EXCHANGE LISTING

Class A subordinated voting shares of Premier Tech are listed on the Toronto Stock Exchange under PTL.A.

INTERNET AND ELECTRONIC MAIL

Premier Tech maintains a web site on the Internet at the following address:

www.premiertech.com

There you can learn about the Company's complete line of products supported by technical data sheets, links and various tips.

Shareholders and investors looking for information on the Company and its business units can contact Premier Tech by electronic mail at the following address:

investors@premiertech.com

Une version française est disponible auprès du Secrétaire de la Société,
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